



Van Lanschot

# Transforming to a specialist wealth manager

Investor Presentation  
May 2015



# Executive summary

## Van Lanschot's profile

- One strategy: pure-play, independent wealth manager focusing on preservation and creation of wealth for our clients
- Two leading brands: Van Lanschot and Kempen & Co
- Three core activities: Private Banking, Asset Management and Merchant Banking

## Execution of strategy on track

- Private Banking: transformation successfully finalized, introduction of new wealth planning advisory service, client assets of Evi grow to over € 1 billion
- Asset Management: global funds launched in Small-caps and Real Estate, flourishing third party distribution
- Merchant Banking: solid market share in selected niches, involved in appealing transactions, more international clients
- Corporate Banking: run-off is ahead of schedule, interest margin improves

## Solid performance on all key financials

	2014	2013
• Net profit	€ 108.7m	€ 33.5m
• Net profit excluding pension gain	€ 54.2m	€ 33.5m
• Dividend per share	€ 0.40	€ 0.20
• Common Equity Tier I ratio	14.6%	13.1%
• Total Capital ratio	15.2%	13.9%
• Leverage ratio (fully loaded)	5.3%	5.1%
• Funding ratio	95.3%	81.3%
• Client assets	€ 57.4bn	€ 53.4bn

## Financial targets 2017

	Target 2017	2014
• Common Equity Tier I ratio	> 15%	14.6%
• Return on Common Equity Tier I *	10-12%	4.0%
• Efficiency ratio	60-65%	69.8%

\* 2014 Return on Common Equity Tier I is based on net profit excluding the one-off gain from pension scheme change



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## Agenda

1. Profile of Van Lanschot
2. Annual results 2014
3. Trading update Q1 2015



Van Lanschot

# 1. Profile of Van Lanschot

# Why wealth management?

## Building on our distinctive strengths

We can build on our inherent strengths in private and institutional wealth management by working together for the benefit of new and existing clients

## Supported by demographics and economic fundamentals

There is room for a high-quality, high-service, independent wealth manager in the Benelux, leading to an attractive business model supported by demographics and macro economic fundamentals

## Our mission:

Preservation and creation of wealth for our clients

# Independent specialist wealth manager

## Key fundamentals

- Ageing population
- Capital surplus economy
- Low growth environment
- High levels of prosperity

These factors create a strong demand for superior wealth management services

## Distinctive offering and positioning of Van Lanschot

- Private Banking, Asset Management and Merchant Banking
- Local intimacy combined with wealth management capabilities
- A distinctive feature of Van Lanschot: our singular objective is preservation and creation of wealth for our clients
- Two strong brands and a solid reputation

# Van Lanschot builds on the experience of its three core activities



Van Lanschot



KEMPEN CAPITAL MANAGEMENT



KEMPEN & CO  
Merchant Bank

## Private Banking

- Private Bank of choice for high net-worth individuals, entrepreneurs and family businesses
- Specialised services for business professionals and executives, healthcare professionals, and foundations and associations
- Three service concepts: Personal Banking, Private Banking and Private Office

## Asset Management

- Specialised European investment management boutique with a sharp focus and a clear investment philosophy
- Focus on a limited number of high quality investment strategies: small caps, property, high-dividend equities, fixed-income securities and funds of hedge funds
- Fiduciary services for national and international pension funds and insurance companies providing a fully comprehensive asset management solution based on clients' specific needs

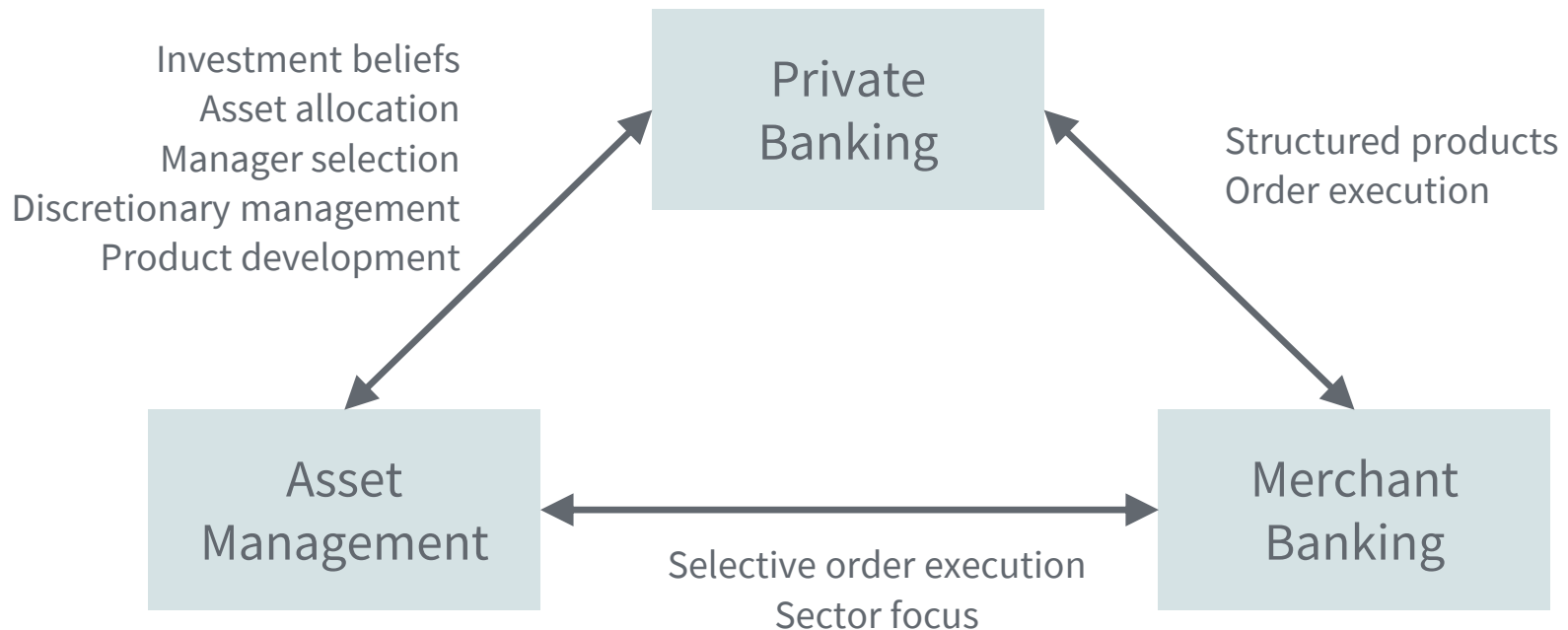
## Merchant Banking

- Specialist services in brokerage, mergers and acquisitions, capital market transactions and finance advice to institutional investors, companies, financial institutions and semi-public and public entities
- Pursuing a niche strategy aimed at the Benelux market and European life sciences & healthcare, resource efficiency & cleantech, and property



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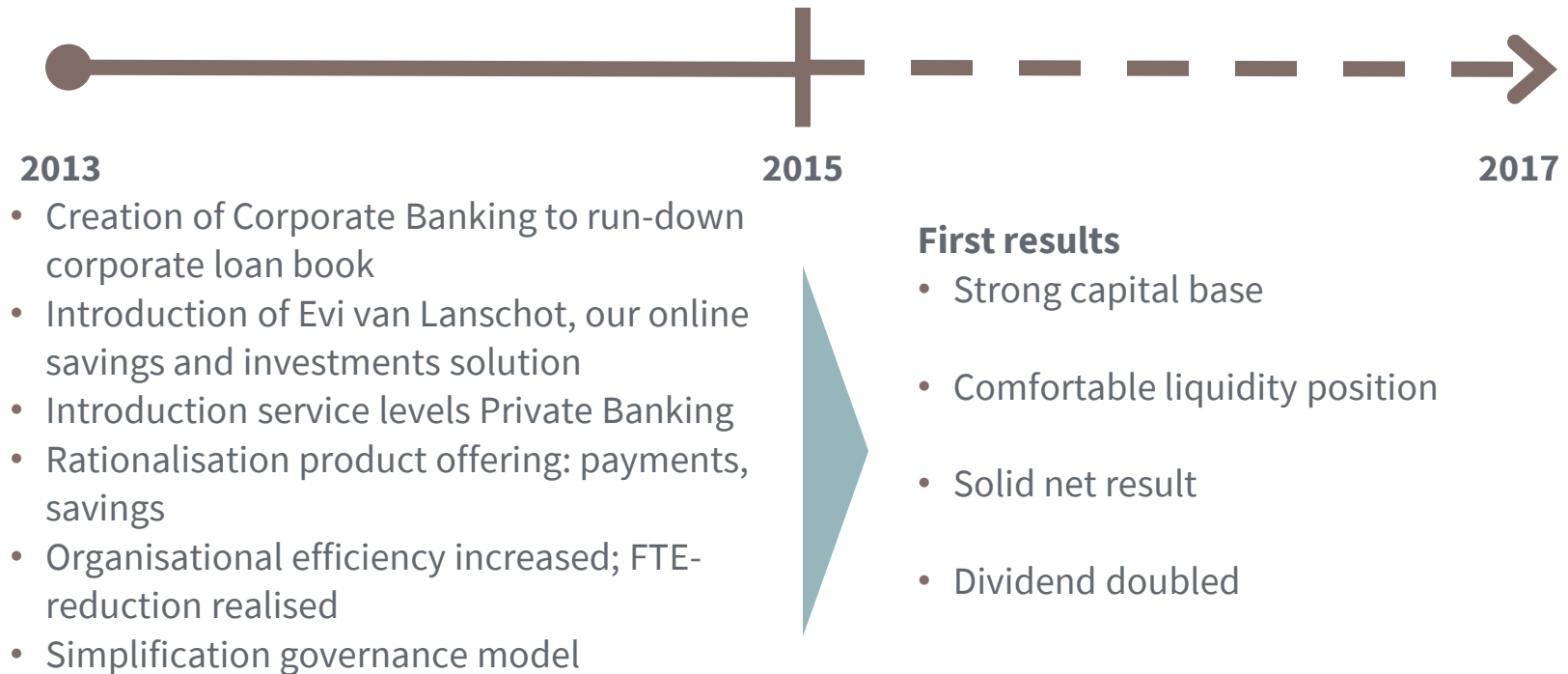
# Our core activities work together in many ways and draw on the group's strong foundations



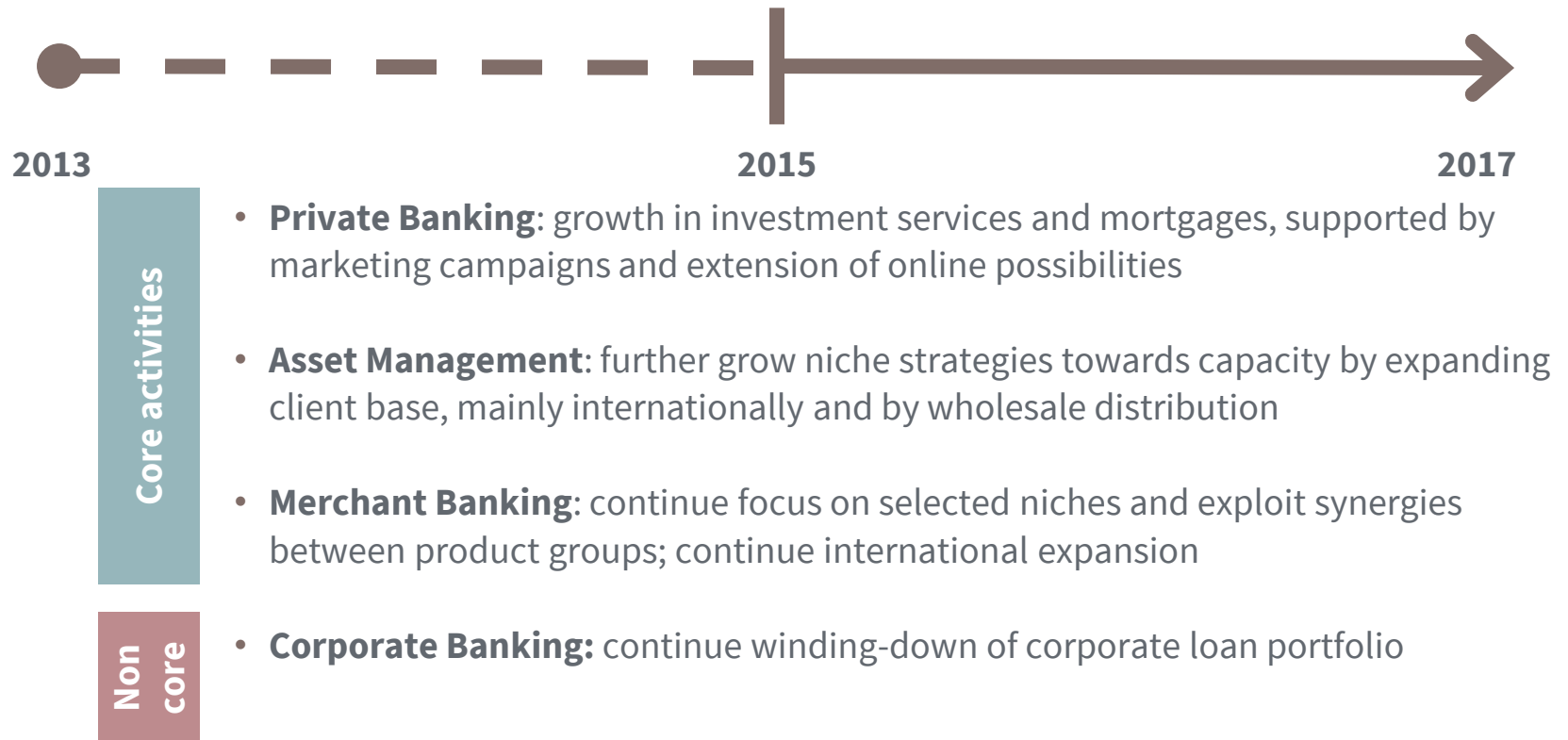
Strong balance sheet. Solid ratings. Article 403 statements. Own book.  
Revenue diversification. IT/OPS collaboration. Exchanging talent.



# The transformation takes several years; in the first period focus and simplification were the key themes



# Growth of the core activities and run off Corporate Banking will be the themes for the coming period

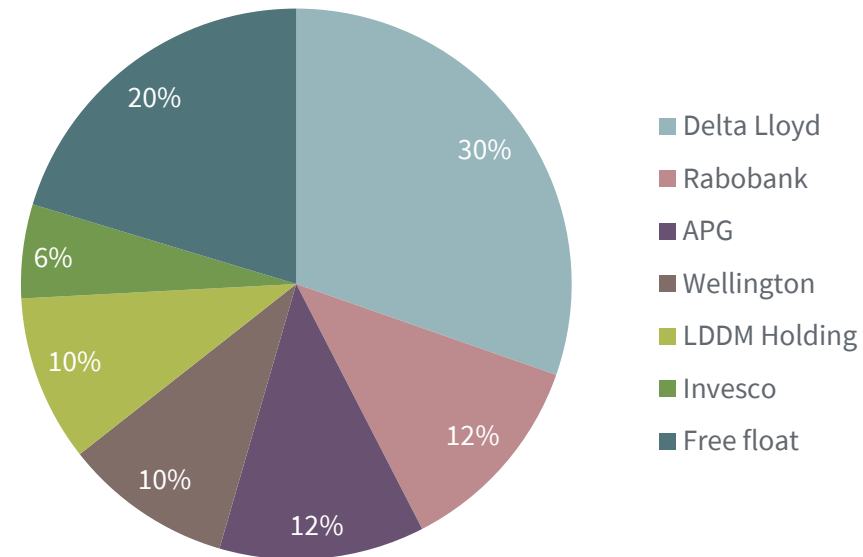


# Van Lanschot is listed on the Amsterdam stock exchange and has a stable shareholder base

## Ordinary shares & depositary receipts

- Van Lanschot's issued share capital consists of ordinary shares A which are held by Stichting Administratiekantoor van gewone aandelen A Van Lanschot (the *Stichting*)
- The *Stichting* has issued depositary receipts for these shares. The depositary receipts are listed on Euronext Amsterdam
- The graph shows the holdings of depositary receipts that have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM)

## Holders of depositary receipts



# Van Lanschot's solid profile is reflected in its creditworthiness

## Fitch

- Long-term credit rating: A-
- Outlook long-term credit rating: Negative
- Short-term credit rating: F2
- Latest press release: 30-09-2014
- Rating has been reconfirmed since 2009

*“Van Lanschot's good capitalisation is strongly supporting its rating... The rating incorporates the bank's established ... franchise in wealth management and merchant banking and expectation that its management will be able to execute on its strategy ... The rating is further supported by the bank's good and balanced funding profile and sound liquidity management.”*  
(30 September 2014)

## Standard & Poor's

- Long-term credit rating: BBB+
- Outlook long-term credit rating: Stable
- Short-term credit rating: A-2
- Latest press release: 04-11-2014
- Outlook revised to Stable from Negative in November 2014

*“Van Lanschot has advanced well in refocusing on pure wealth management business. We think this business model should enable the bank to strengthen its core franchise..., as well as to simplify its product offering while reducing its risk exposure and increasing its capitalization over time, in line with what we view as a relatively cautious strategy and management.”*  
(4 November 2014)



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## 2. Annual results 2014

# Highlights 2014 annual results

<b>Solid profit growth in 2014</b>	<b>Net profit of € 108.7 million; proposed dividend of € 0.40 per share</b> <ul style="list-style-type: none"><li>• Net profit of € 54.2 million (+62%) excluding one-off gain from pension scheme change</li><li>• Income from operating activities +3%</li><li>• Operating expenses +2%</li><li>• Loan loss provision -26%</li></ul>
<b>Growth in client assets</b>	<b>Client assets increase to € 57.4 billion (+7%)</b> <ul style="list-style-type: none"><li>• Strong market performance</li><li>• Client assets of Evi grow to over € 1 billion</li><li>• Inflow of discretionary mandates and savings and deposits at Private Banking</li><li>• Discretionary mandates comprise 42% of Private Banking assets under management</li><li>• Client assets at Asset Management grow 13%</li></ul>
<b>Capital ratios strengthened</b>	<b>Common Equity Tier I ratio grows to 14.6% (+ 1.5%-point)</b> <ul style="list-style-type: none"><li>• Leverage ratio (fully loaded) 5.3%</li><li>• Common Equity Tier I ratio (fully loaded) 13.4% (+2.9%-point)</li><li>• Well diversified funding profile: funding ratio of 95.3%, supported by successful wholesale market transactions</li></ul>
<b>Execution of strategy on track</b>	<b>Good progress in execution</b> <ul style="list-style-type: none"><li>• Private Bank: transformation finalized, introduction of new wealth planning advisory service</li><li>• Asset Management: global funds launched in Small-caps and Real Estate, flourishing third party distribution</li><li>• Merchant Banking: solid market share in selected niches, involved in appealing transactions, more international clients</li><li>• Corporate Bank: run-off is ahead of schedule, interest margin improves</li></ul>

# Key figures 2014 annual results

€ million	2014	2013	Δ
Commission	240.3	234.8	
Interest	213.7	213.9	
Other income	93.0	81.1	
<b>Income from operating activities</b>	<b>547.0</b>	<b>529.8</b>	<b>3%</b>
Operating expenses	381.7	374.9	
One-off gains	60.3	-8.0	
<b>Gross result after one-off gains</b>	<b>225.6</b>	<b>146.9</b>	<b>54%</b>
Gross result before tax of non-strategic investments	3.4	0.2	
Additions to loan loss provision	76.0	102.4	
Other impairments	19.5	7.3	
<b>Operating profit before tax</b>	<b>133.5</b>	<b>37.4</b>	<b>257%</b>
Income tax	24.8	3.9	
<b>Net result</b>	<b>108.7</b>	<b>33.5</b>	<b>224%</b>
Net result excluding one-off pension gain	54.2	33.5	62%
Efficiency ratio (%)	69.8%	70.8%	

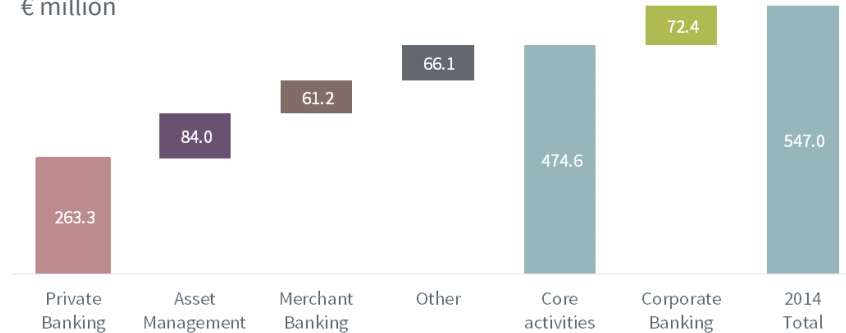
# All core activities contribute to our net profit

**Net profit (excluding one-off gain pension scheme change) is € 54.2 mln (+62%)**

- The core activities, Private Banking, Asset Management and Merchant Banking, generate 75% of the operating income
- The core activities each contribute to the profitability of Van Lanschot
- Loan loss provisioning accounted for a negative result at Corporate Banking. Run-off of loan portfolio progresses ahead of schedule

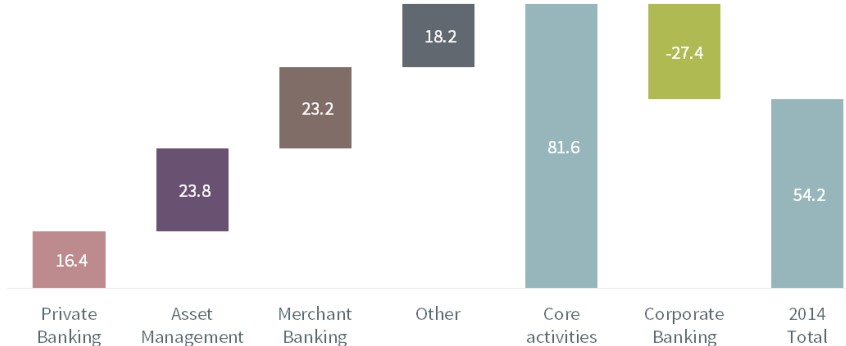
## Operating income by segment

€ million



## Net profit (excluding one-off gain related to pension scheme change)

€ million





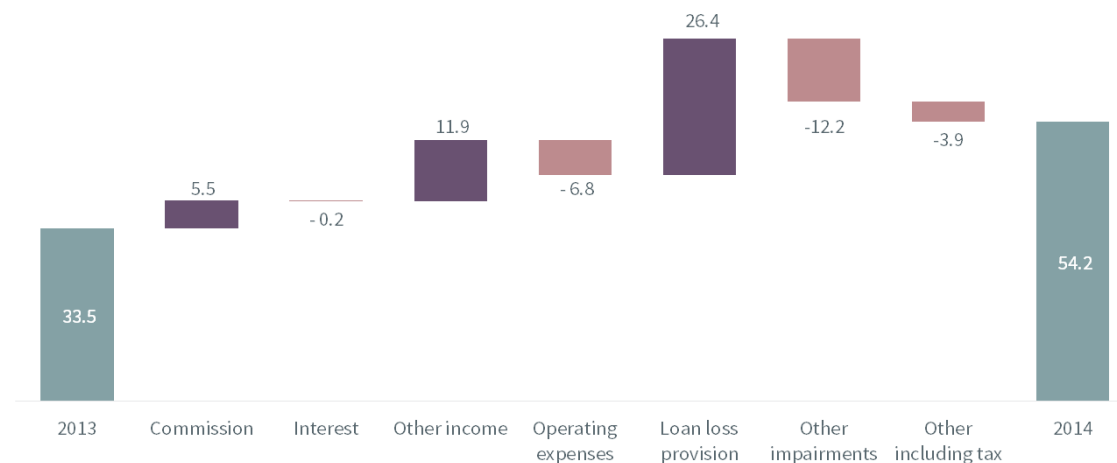
# Solid net profit development

**Net profit (excluding one-off gain pension scheme change) is € 54.2 mln (+62%)**

- Increase in commission income driven by growth in management fees (both Private Banking and Asset Management) and fees Merchant Banking
- Interest income stable at last year's level despite reduction of loan book
- Increase in other income due to gains on participations and financial transactions
- Limited increase in operating expenses (investing in growth and resolution levy SNS), while on track to meet efficiency ratio
- Loan loss provisioning down versus 2013. Provisioning at Private Banking and SME loans clearly improved
- In 2014 other impairments mainly due to write-downs on intangible assets and participating interests

## Key drivers of net profit in 2014

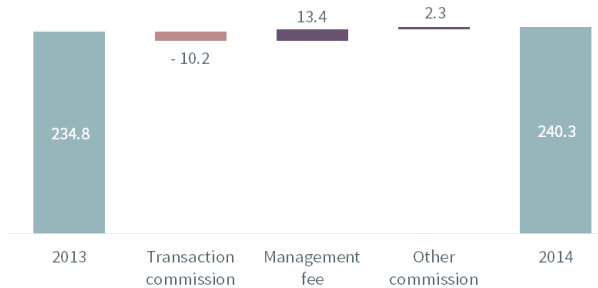
€ million



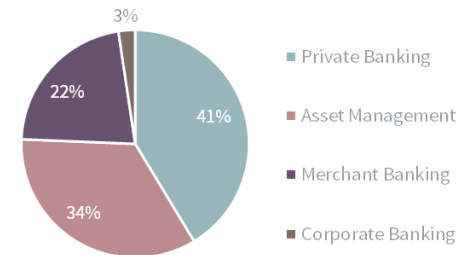
# Commission income increases as well as share of recurring income

- Securities commission increases as higher management fees offset lower transaction commissions, resulting from the introduction of the new fee structure at Private Banking
- Management fees grow mainly due to above mentioned change in fee structure and a favourable stock market climate
- Recurring income in the form of management fees increases to 84% of total securities commission (2013: 78%)
- Other commission income increases due to Merchant Banking fees (strong development in H2)

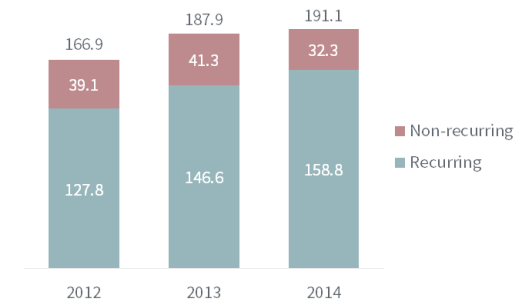
**Total commission income**  
€ million



**Total commission income**  
100% = € 240.3 million



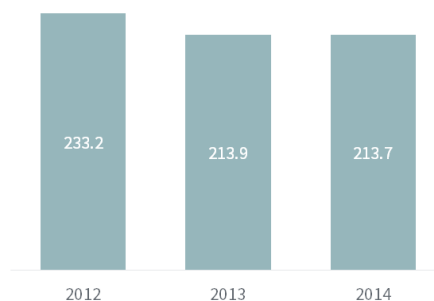
**Securities commission**  
€ million



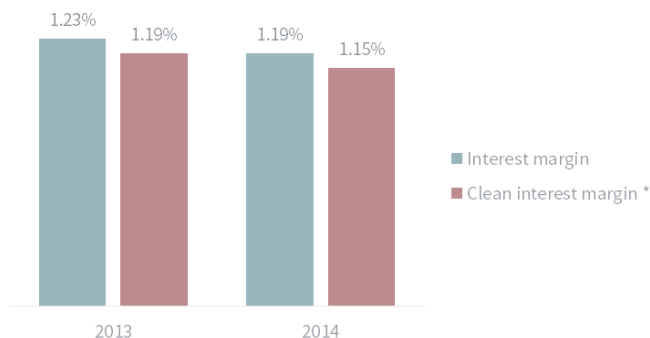
# Interest income stable versus 2013

- Interest income of € 213.7 million is almost at same level as 2013. The interest margin development was relatively stable versus 2013 with 4 basis points decline to 119 basis points
- The decline of corporate loan book and mortgages portfolio is largely compensated by margin improvement.
- Savings & deposits increased, partly realised at Evi. Related interest rates were lowered during the course of the year to counter margin deterioration
- Growth of liquidity buffers during the course of the year in conjunction with low yield environment created interest margin pressure

**Interest income**  
€ million



**Interest margin**  
%



\* Clean interest margin is interest margin adjusted for among others initial loan commission, penalty interest and amortization of interest derivatives

# Other income increases to € 93.0 million

## Profit on financial transactions

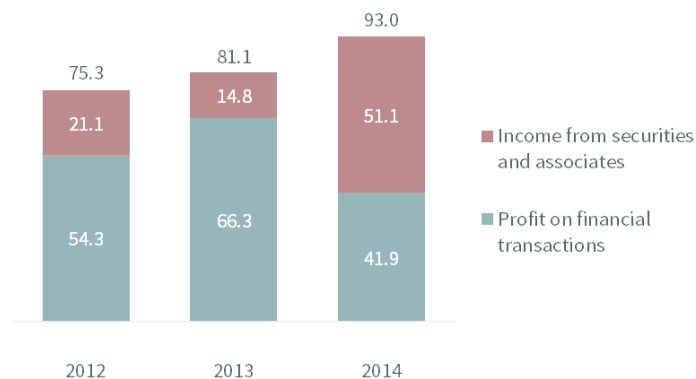
- Profit on investment portfolio (€ 47.2 million) increased compared to 2013 (€ 26.4 mln) due to decreasing interest rates and credit spreads
- Overall the profit on financial transactions decreased versus 2013 mainly due to the unwinding of fair value hedges

## Income from securities and associates

- Sale of the 21% stake of Van Lanschot Participaties in DORC Holding BV resulted in a material capital gain
- Valuation gain of € 6.9 million at MedSciences Capital (part of Kempen) due to public offer on one of its investments, namely Prosensa

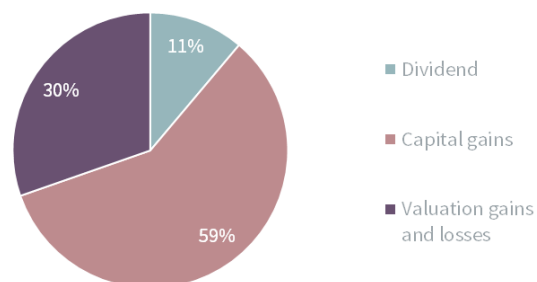
## Other income

€ million



## Income from securities and associates

100% = € 51.1 million

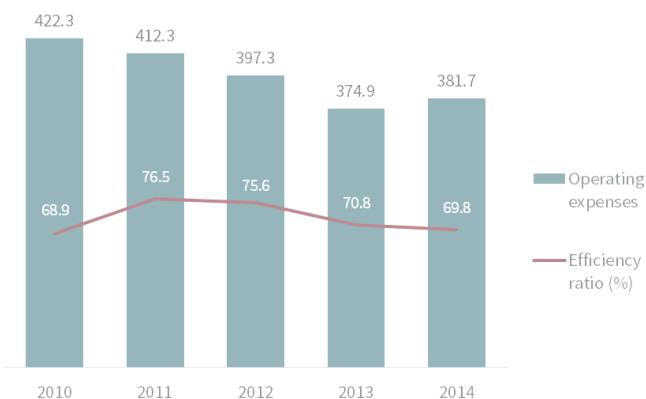


# On track to realize efficiency ratio target in 2017

- After a total reduction in operating expenses of 9% in 2012 and 2013, operating expenses of € 381.7 million were realized in 2014 including the resolution levy related to SNS
- Van Lanschot continues to invest in its client proposition, supporting marketing campaigns and the simplification of processes, products and its organisation
- In 2014 the number of fte decreased with 96 to a total of 1,712
- Van Lanschot is on track to realize its efficiency ratio target of 60-65% in 2017

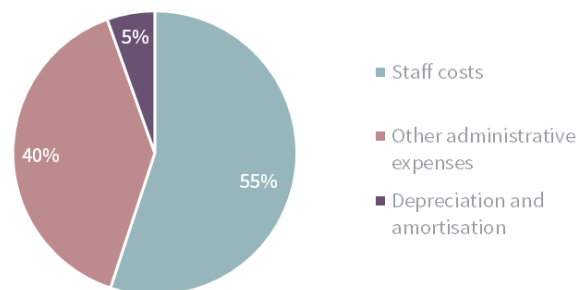
## Operating expenses

€ million



## Operating expenses 2014

100% = € 381.7 million

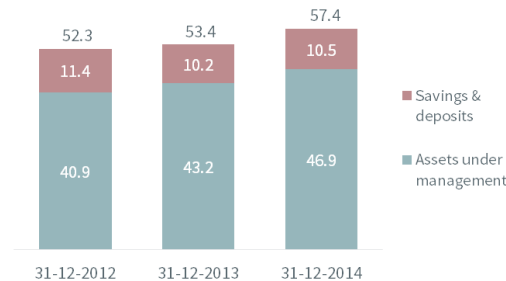


# Strong market performance supports client assets growth

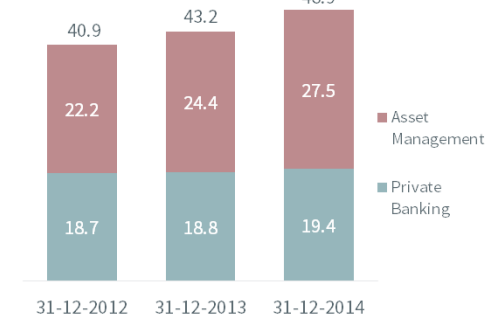
## Client assets grow 7% to € 57.4 billion

- Savings & deposits increase by € 0.3 billion mainly due to Evi in Belgium
- Assets under management are up 9% in 2014, mainly due to market performance
- Private Banking client assets grow by € 1.0 billion. Discretionary mandates realized inflow of € 0.3 billion, while non-discretionary mandates had outflow of € 0.7 billion.
- Client assets at Asset Management grow due to strong market performance. Outflow following the close of High Dividend Fund and loss of some mandates was partly offset by inflow in the credit strategy

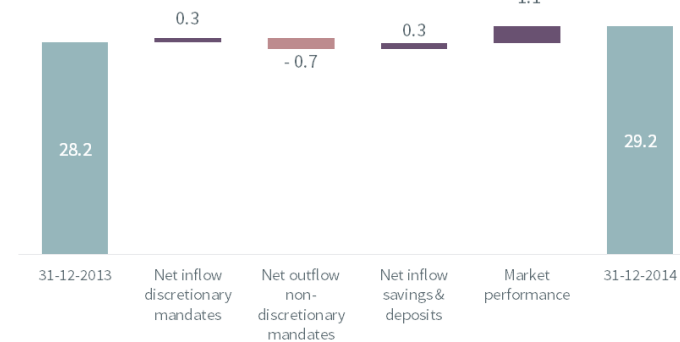
**Client assets**  
€ billion



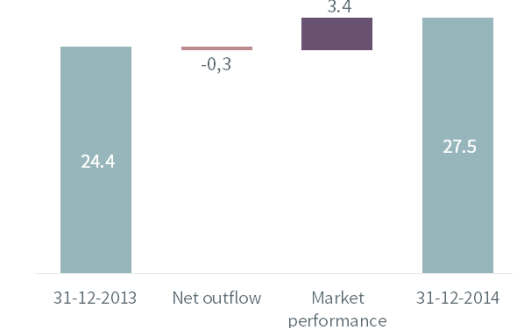
**Assets under management**  
€ billion



**Development client assets: Private Banking**  
€ billion



**Development client assets: Asset Management**  
€ billion



# Evi van Lanschot had an excellent first year

- Evi, our online savings and investment coach, was launched in Q4 2013 offering:
  - online discretionary management in the Netherlands
  - investment advice with an online coach in the Netherlands
  - online savings account in the Netherlands and Belgium
- At the end of 2014, over € 1 billion is entrusted to Evi in savings and investments; the average funds entrusted in discretionary management substantially exceed the € 10,000 entry level
- Evi client base is a springboard for growth:
  - Approximately 1/3 of new clients use Evi to make their first investments
  - Almost 40% of all clients only uses Evi for their investments
  - Over 40% of all clients expects to entrust more funds
  - Approximately 50% of new clients is younger than 50, rejuvenating Van Lanschot's client base
- Clients consider Evi as a very accessible way to build wealth and score Evi with an 8 out of 10 rating



# Deleveraging of loan book continues; run-off Corporate Banking ahead of schedule

**Total loan book (€ 11.0 billion) reduced by 12% in 2014. Run-off Corporate Banking is ahead of schedule**

## Mortgages

- Early repayment of mortgages continued and exceeded new business
- Mortgage book down by 6% in 2014

## Other private banking loans

- This includes loans to healthcare professionals, business professionals & executives, security-backed loans and current account overdrafts
- Reduction due to transfer of loans to Corporate Banking, reduction of unauthorized overdrafts and repayments

## SME loans

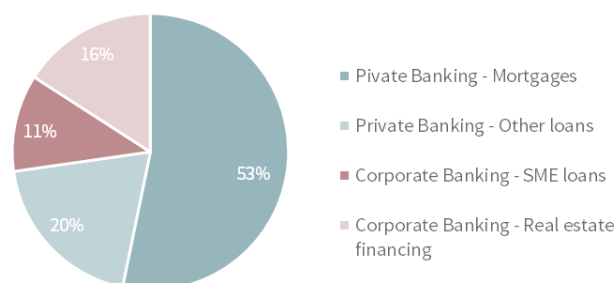
- Portfolio is well diversified by sector
- Considerable decrease of loan book realised (-22%) due to refinancing by other banks, factoring and leasing across all risk profiles

## Real estate

- Focus by specialist CRE team leads to reduction in real estate loans
- Client deleveraging by repayment with savings and deposits

## Loan book per 31-12-2014

100 % = € 11.3 billion (excluding provisions)



€ million	31-12-2014	31-12-2013	Δ
Mortgages	6,041	6,446	-6%
Other loans	2,212	2,762	-20%
<b>Private Banking</b>	<b>8,253</b>	<b>9,208</b>	<b>-10%</b>
SME loans	1,289	1,643	-22%
Real estate financing	1,803	1,973	-9%
<b>Corporate Banking</b>	<b>3,092</b>	<b>3,616</b>	<b>-14%</b>
Provisions	-324	-333	-3%
<b>Totaal</b>	<b>11,021</b>	<b>12,491</b>	<b>-12%</b>



# Loan loss provisioning continues to trend down

**Additions to loan loss provision down 26% to € 76.0 million in 2014**

## Private Banking

- Loan loss provisioning considerably lower in 2014 (€ 8.9 million versus € 34.2 million in 2013)
- Mortgage portfolio with limited number of defaults and loan losses

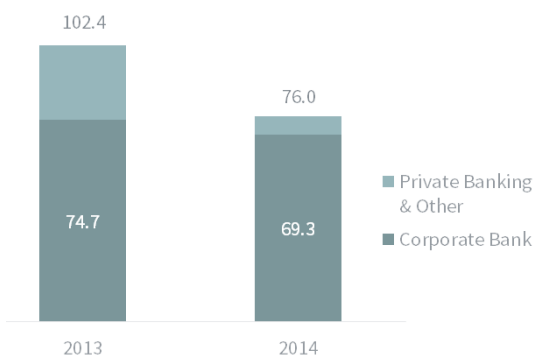
## Corporate Banking

- Loan loss provisioning of € 69.3 million decreased compared to 2013 (€ 74.7 million)
- Improvement primarily realised within SME portfolio
- The impaired ratio (13.6%) is negatively effected by loan book reduction

**High coverage ratios reflect Van Lanschot's prudent provisioning policy**

## Additions to loan loss provision

€ million



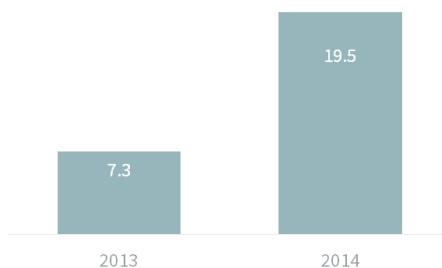
€ million	Impaired loans	Provision	Impaired ratio	Coverage ratio
Mortgages	100	61	1.7%	61%
Other loans	120	61	5.4%	51%
<b>Private Banking</b>	<b>220</b>	<b>122</b>	<b>2.7%</b>	<b>55%</b>
SME loans	141	80	10.9%	57%
Real estate financing	279	112	15.5%	40%
<b>Corporate Banking</b>	<b>420</b>	<b>192</b>	<b>13.6%</b>	<b>46%</b>
IBNR		10		
<b>Totaal</b>	<b>640</b>	<b>324</b>	<b>5.8%</b>	<b>49%</b>

# Other impairments increase to € 19.5 million

- Other impairments increase to € 19.5 million. In 2013 impairments were positively influenced by a reversal of € 5.6 million related to property
- Other impairments relate to revaluation of:
  - properties for own use
  - goodwill and intangible assets
  - assets obtained through the seizure of collateral
  - participating interests
- Other impairments mainly follow from still challenging circumstances in certain sectors and real estate markets

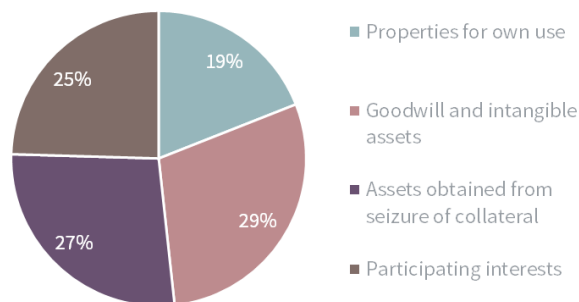
## Development other impairments

€ million



## Composition other impairments 2014

100% = € 19.5 million



# Balance sheet with strong capital and funding position

## Significant capital buffer

- Total equity of € 1.35 billion, of which € 1.19 billion in share capital and reserves
- Common Equity Tier I ratio (phase-in) 14.6%
- Leverage ratio (fully loaded) 5.3%

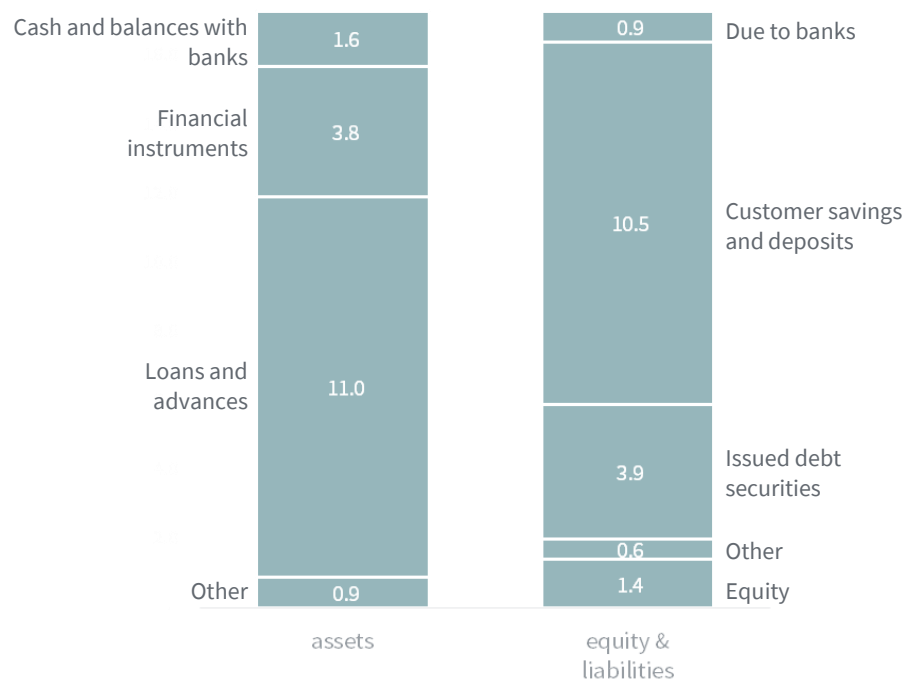
## Low risk assets

- Loan book decreased € 1.5 billion to € 11.0 billion in line with focus on wealth management. Loan book comprises still 64% of the balance sheet
- Investment portfolio extended with low risk European government bonds and bonds issued by financial institutions

## Solid funding position

- Funding profile is well diversified in terms of instrument, source and maturity
- Several capital market transactions executed in 2014 (senior unsecured note and various medium term notes)
- Funding ratio increased to 95.3%

**Balance sheet 31 December 2014**  
€ billion, balance sheet total = € 17.3 billion



# Increase of Common Equity Tier I ratio

## Risk-weighted assets

- Corporate Bank run-off above target with RWA reduction of € 0.8 billion
- Total RWA reduced with € 1.6 billion in 2014 (- 18%)
- Common Equity Tier I ratio 14.6 %

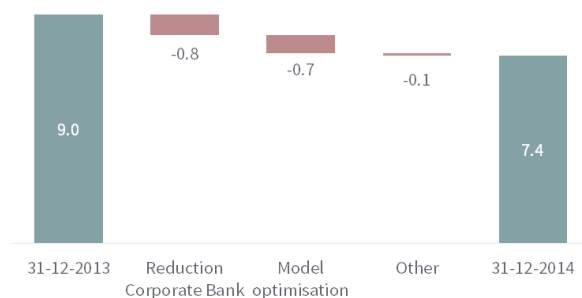
## Van Lanschot meets the Basel III capital requirements

- Fully loaded Common Equity Tier I ratio 13.4 %
- Leverage ratio 5.3%

**Common Equity Tier I ratio phase-in expected to remain relatively stable in 2015**

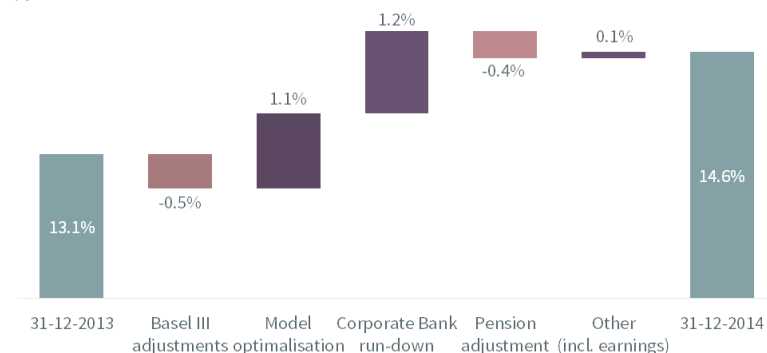
## Risk-weighted assets

€ billion



## Development of Common Equity Tier I ratio phase-in

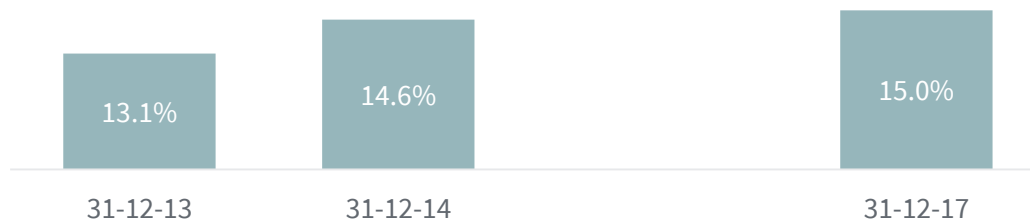
%



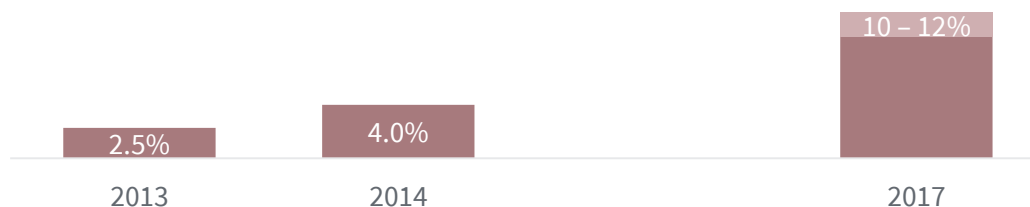
# On track to achieve financial targets 2017



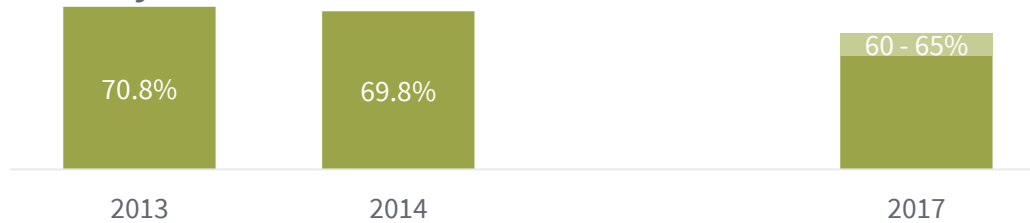
## Common Equity Tier I ratio\*



## Return on Common Equity Tier I\*\*



## Efficiency ratio



\* 2013 based on Basel II. 2014 reflects Common Equity Tier I-ratio phase-in, including retained profit

\*\* Based on average Common Equity Tier I. 2014 excluding one-off gain following from pension scheme change



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### 3. Trading update Q1 2015

# Developments in Q1 2015

## Positive result

- Matches first-quarter 2014 levels
- In line with our transformation into a wealth manager

## Increase in client assets

- Client assets grow with €4.3 billion to €61.7 billion

## Strong capital base

- Common Equity Tier I-ratio\* amounts to 14.2%
- Leverage ratio (fully loaded) stood at 5.7%

## Strategy on track

- Bolstering of core activities
- Steady wind-down Corporate Banking as planned

\* Phase-in, excluding retained earnings in the current financial year

# Disclaimer

## **Disclaimer and cautionary note on forward-looking statements**

This presentation contains forward-looking statements on future events. These forward-looking statements are based on the current information and assumptions of Van Lanschot's management about known and unknown risks, developments and uncertainties.

Forward-looking statements do not relate strictly to historical or current facts and are subject to risks, developments and uncertainties. The actual results may differ considerably as a result of risks, developments and uncertainties relating to Van Lanschot's expectations regarding, but not limited to, estimates of income growth, costs, the macroeconomic climate, political and market trends, actions by supervisory and regulatory authorities and private entities, and changes in the law and taxation.

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